Global
Communications
Limited

Annual
Report
1981

GLOBAL COMMUNICATIONS LIMITED
DIRECTORS AND OFFICERS

81 Barber Greene Road, Don Mills, Ontario M3C 2A2

DIRECTORS

* I.H. Asper, Q.C., Chairman of the Board and Chief Executive Officer, CanWest Capital Corporation (Merchant Bankers)
Leonard E. Barlow, Retired Investment Dealer
John S. Elder, Q.C., Partner, Fraser & Beatty (Barristers & Solicitors)
* Seymour Epstein, P.Eng. Cons., Chairman of the Executive Committee of Global Communications Limited
Claude C. Frenette, Chairman of the Board, Interallied Management and Development Group Ltd. (Management Corporation)
David L. George, President, Imagineering Limited (Engineering Consultants)
Duncan J. Jessiman, Q.C., Partner, Pitblado & Hoskin (Barristers & Solicitors)
* Paul Morton, President of Global Communications Limited
Gurston I. Rosenfeld, President, Guardian Growth Financial Services Limited — Vice-President & Director, Guardian Capital Group Limited (Merchant Bankers)
* Gerald W. Schwartz, President, CanWest Capital Corporation (Merchant Bankers)
Arni C. Thorsteinson, President, Shelter Canadian Holdings Limited (Diversified Investments)

OFFICERS

I.H. Asper, Q.C., Chairman of the Board
Gerald W. Schwartz, Vice-Chairman of the Board
Seymour Epstein, P.Eng. Cons., Chairman of the Executive Committee
Paul Morton, President, Global Communications Limited
David L. Mintz, President, Global Television Network
John H. Burgis, C.A., Vice-President, Finance and Administration
Rodger A. Hone, Vice-President, Marketing
William A. Stewart, Vice-President, Programming
John S. Elder, Q.C., Secretary
K. Cameron Johnson, C.A., Treasurer
Allan W. Bayley, R.I.A., Controller

AUDITORS

Clarkson Gordon, Toronto, Ontario

SOLICITORS

Fraser & Beatty, Toronto, Ontario

TRANSFER AGENTS

Guaranty Trust Company of Canada, Toronto, Ontario

Global Communications Limited owns and operates the Global Television Network

Global Communications Limited is a constrained share corporation at least 80% of the shares of which must be beneficially owned by persons who are Canadian citizens or who are corporations controlled in Canada.

* Members of the Executive Committee

GLOBAL COMMUNICATIONS LIMITED
REPORT TO THE SHAREHOLDERS

On behalf of the Board of Directors, we are pleased to present the 8th Annual Report of Global Communications Limited. The results for the year reflect the sale of control in the "Blizzard" soccer team, a member of the North American Soccer League. This year's results still reflect an operating loss as a result of losses incurred by the soccer operation; however, as a result of an extraordinary gain with respect to income tax recoveries, the Company has returned to overall profitability.

Financial Highlights

For the year ended August 31, 1981, consolidated revenue of the Company from continuing operations increased from $41,618,000 to $48,264,000, an increase of 16.0%. During the same period, related operating expenses before interest increased by 12.7%, from $34,641,000 to $39,041,000. After allowing for all interest charges and the provision for income tax, the income from continuing operations before extraordinary items was $707,000, compared to $1,102,000 one year ago.

In addition, a loss of $1,723,000, net of related future income tax recoveries of $1,717,000, was recorded on losses arising from the disposition of our soccer business. During the year, there was an extraordinary gain of $1,713,000 from the recovery of income taxes as a result of prior period losses, and this gain resulted in a net income of $697,000 compared with a net loss of $2,600,000 in 1980.

Television Broadcasting and Production Divisions

The television broadcasting and production divisions of the Company continued to perform well in 1981. The broadcast division which generates approximately 85% of the Company's total revenue continued the growth pattern which has been maintained without exception throughout the Company's history.

Last year, we forecast that there would be some moderation in the rate of increase in the cost of programming which had, over the past few years, been escalating at a rapid pace. This, in fact, happened and, as a result, operating margins were improved for 1981.

The production division showed only modest growth. However, we believe it is poised for more significant increases in the years to come.

This division as a whole had an operating income before interest, tax and income debenture interest of $9,223,000 compared to $6,977,000 for the previous year.

Soccer Division

Results for the soccer division were disappointing. During the year, your Board became convinced that both the capital and operating funds required to bring the soccer franchise to profitability could be better expended within our television business. Management was instructed to proceed with the sale of our interest, but with the proviso that the sale must be to someone who would aggressively promote the development of soccer and with the second condition being the maintenance of the television rights for the Global Television Network.

Just prior to the fiscal year end, a letter of intent was signed with York-Hannover Sports Enterprises Limited of Toronto, whereby it would acquire the Blizzard.

This letter of intent was converted into a formal agreement, and the transaction closed in mid October.

In conjunction with the transaction, Global acquired certain television rights to Blizzard games and events for a seventeen year period commencing in 1982. Details of the sale transaction are also described under Note 2 to the consolidated financial statements.

The sale of the Blizzard resulted in a reduction of accumulated soccer losses and some additional recovery is anticipated for the future from the Company's continuing participation in any profits of the team. In addition, the Company expects to benefit from the long-term television rights agreement.

Programming Developments

In our 1980 report to you we referred to a decision that had been made to upgrade our foreign programming. The consistency of our foreign program schedule has proved extremely beneficial to the stability of Global's ratings over the course of the entire broadcast year. Last year four of the top ten U.S. network shows were shown on the Global Television Network. They were: (1) "60 Minutes", (2) "Loveboat", (3) "The Jeffersons", and (4) "Alice". In addition, all eight of Global's U.S. Network shows were in the top twenty. Early ratings for this year have indicated continuing strength of all of those programs. The "Tonight Show" with Johnny Carson, and programs acquired from the United Kingdom have also helped to solidify and strengthen our schedule.

Our daily actuality show, "That's Life", which we commenced last year, has continued to grow and, combined with programs acquired from Canadian independent producers such as "The Tom Jones Show", "What Will They Think of Next" and "Let's Make a Deal", and with our own news related programming, has enhanced the Canadian portion of our schedule. It is important that we continue to strive to improve that aspect of our programming.

A year ago we reported on the production of a pilot called "Tales of the Haunted". As yet, the show has not become a series, but will be played as a two hour feature.

A number of other major productions are in the development stage. However, some of these may not go ahead as a result of changes flowing from the most recent Federal Budget. We are supportive of the concept that changes had to be made in the incentives available for Canadian production; however, we believe that the proposed future reduction in capital cost allowances should have been offset by an incentive of a different type, one which puts more emphasis on success.

It is regrettable that, particularly in the film production side, the 100% capital

cost allowance plan in many instances provided a reward for failure. It is now more important than ever that a new incentive structure be put in place which encourages success.

Canadian Radio-Television and Telecommunications Commission

In December 1980, Global filed an application for a licence to provide broadcast service to remote and underserved areas in Canada. We believed that a service of this nature was in the best interests of both the broadcasting system and the residents of those areas. The Commission chose to approve a different application.

In May, together with all other Southern Ontario broadcasters, Global appeared at licence renewal hearings that were held in Toronto, and on December 15, 1981, the Commission brought down a decision renewing Global's licence until December 31, 1982. The Company is required to file a new promise of performance with the Commission and it is anticipated that it will be dealt with at a hearing in mid 1982. The Company has also been requested to re-establish its service at Cottam, Ontario, where its transmitter was destroyed by fire in August, 1977.

We will be continuing to appear before the Commission to improve our coverage in Southern Ontario and ultimately for the expansion of the Global service into areas not presently being served.

Your Company, after prolonged consideration, chose not to be an applicant for a pay television licence. We believe that the greatest opportunity for Global lies in the provision of programming and related software for this industry, be it in Canada or the United States, rather than in any part of the hardware or distribution business.

A year ago we reported that the Commission had asked for representations in the areas of Canadian programming, and a hearing was finally held in December, 1981. Global appeared and made a number of proposals, many of which were supported by the Canadian Association for Broadcasters and others. It will in all likelihood be Spring of 1982 before we have any indication from the Commission as to whether there will be changes in Canadian content regulations.

Senior Personnel

During the year there were two changes in our senior personnel. Mr. Don MacPherson resigned as President of the Barber Greene Production Division and Vice-President Production of Global. He left to become President of one of the pay television licence applicants. He has not been replaced to date.

Mr. John Craig, our Vice-President of Finance and Administration, resigned in May to assume a similar position at Southam Inc. His presence will be missed and we wish him every success in his new role. During the summer, Mr. John Burgis, formerly Vice-President of Finance and Administration for TV Guide Inc., joined us to fill that position.

Outlook

With our efforts being concentrated on the television business, both broadcasting and production, we are hopeful that Global will be in a position to report an operating profit for fiscal 1982, as well as overall profitability.

The first quarter of the current fiscal year resulted in record revenues and net income for the Company.

Second quarter revenues also appear to be healthy. However, because of evolving industry wide changes in airtime booking practices, it is impossible at this stage to accurately forecast results for the balance of the year. The overall slowdown in the economy and the very significant problems affecting some sectors of the economy give us cause for concern through much of 1982. Still, we are optimistic that fiscal 1982 will be a good year for Global.

On behalf of ourselves, the Board of Directors and our Shareholders, we would like to thank Global's management and staff for their efforts during the past year. Their contribution in a continually changing and difficult environment is much appreciated and vital to our success. We look forward to seeing you at our annual meeting on February 12, 1982, where this report will be updated and expanded upon.

Respectfully submitted on behalf of the Board of Directors.

I.H. Asper, Q.C.,
Chairman of the Board

Paul G. Morton,
President

December 31, 1981

Financial Highlights

(in thousands of dollars except for per share amounts)

	1981	1980
Gross revenue	$48,264	$41,618
Operating income from continuing operations	9,223	6,977
Net income (loss) for the year	697	(2,600)
Working capital deficiency	(7,824)	(10,556)
Total assets	50,816	51,962
Deficiency in shareholders' equity	(14,780)	(15,477)
Per share:		
Basic earnings (loss) per share	1.05	(3.91)
Fully diluted earnings per share	0.81	—

GLOBAL COMMUNICATIONS LIMITED
CONSOLIDATED BALANCE SHEET

(Continued under the Canada Business Corporations Act)

($000's)

ASSETS

	August 31, 1981	August 31, 1980
Current:		
Accounts receivable	**$ 8,180**	$ 6,981
Film and program rights	**14,972**	13,863
Prepaid expenses, videotape and other supplies	**809**	768
	23,961	21,612
Future income taxes recoverable (note 3)	**3,500**	3,300
Non-current portion of film and program rights	**16,909**	17,778
Property, plant and equipment (note 10)	**6,446**	7,294
Other:		
North American Soccer League franchise at amortized cost (note 2)		1,978
Contingent asset (note 2)	—	
	$50,816	$51,962

On behalf of the Board:

"I.H. Asper, Q.C." Director

"P.G. Morton" Director

(See accompanying notes to consolidated financial statements)

LIABILITIES

	August 31, 1981	1980
Current:		
Bank indebtedness (note 4)	**$ 6,986**	$ 6,957
Accounts payable and accrued liabilities	**7,385**	6,727
Provision for interest on 1974 Series B Debentures (note 5(b))	**1,123**	
Instalments on Bank Income Debentures and Bank term loan		2,000
Film and program contract instalments due within one year	**16,291**	16,484
	31,785	32,168
Long-term (notes 4, 5, and 6):		
Bank term loan	**12,500**	3,953
Debentures	**15,585**	19,710
Non-current instalments on film and program contracts, and other liabilities	**5,726**	6,747
Liabilities of discontinued record operations		4,455
Loans payable		406
	33,811	35,271
Deficiency in shareholders' equity:		
Capital stock (note 7)	**3,252**	3,252
Deficit	**(18,032)**	(18,729)
	(14,780)	(15,477)
	$50,816	$51,962

AUDITORS' REPORT

To the Shareholders of
Global Communications Limited:

We have examined the consolidated balance sheet of Global Communications Limited as at August 31, 1981 and the consolidated statements of income and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the corporation as at August 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
November 24, 1981.

Clarkson Gordon
Chartered Accountants

GLOBAL COMMUNICATIONS LIMITED
CONSOLIDATED STATEMENT OF INCOME AND DEFICIT
($000's)

	Year ended August 31, 1981	1980 (note 11)
Gross revenue	**$ 48,264**	$ 41,618
Operating expenses:		
Operating	**37,615**	33,301
Depreciation and amortization	**1,426**	1,340
	39,041	34,641
Operating income from continuing operations	**9,223**	6,977
Interest (other than interest on income debentures):		
Bank term and operating loans	**2,650**	796
10% Subordinated Debentures (note 5 (c))	**833**	834
	3,483	1,630
Income from continuing operations before the following	**5,740**	5,347
Provision for income taxes	**2,889**	2,967
Income from continuing operations before interest on income debentures, losses on discontinued operations and extraordinary item	**2,851**	2,380
Interest on income debentures:		
Bank Income Debentures	**243**	546
1974 Series A Debenture (note 5 (a))	**778**	694
1974 Series B Debentures (note 5 (b))	**1,123**	38
	2,144	1,278
Income from continuing operations before losses on discontinued operations and extraordinary item	**707**	1,102
Loss from discontinued soccer operations net of related income tax recoverable of $1,717 (1980 — nil) (notes 2 and 3)	**(1,723)**	(2,710)
Loss from discontinued operations of record subsidiaries, net of related income tax recoverable of $2,100		(3,959)
Loss before extraordinary item	**(1,016)**	(5,567)
Extraordinary item:		
Income tax recovery arising from utilization of prior period losses	**1,713**	2,967
Net income (loss) for the year (note 7 (d))	**697**	(2,600)
Deficit, beginning of year	**(18,729)**	(16,129)
Deficit, end of year	**$(18,032)**	$(18,729)

(See accompanying notes to consolidated financial statements)

GLOBAL COMMUNICATIONS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
($000's)

	Year ended August 31, 1981	1980 (note 11)
Source of funds:		
Funds from continuing operations —		
Income from continuing operations	**$ 707**	$ 1,102
Items not affecting working capital:		
Depreciation and amortization	**1,426**	1,340
Deferred income taxes	**1,517**	
Loss (gain) on disposal of fixed assets	**(283)**	81
	3,367	2,523
Proceeds of bank term loan (net of $3,850 repayment of Bank Income Debentures in 1981)	**4,697**	2,452
Disposal of fixed assets	**540**	108
Extraordinary item — income tax recovery	**1,713**	2,967
Total funds provided	**10,317**	8,050
Application of funds:		
Funds applied to discontinued operations —		
Soccer (note 2)	**1,173**	3,097
Record	**4,455**	611
Funds applied (net) in financing non-current portion of film and program rights	**613**	3,938
Provision for Bank Income Debenture instalments		1,400
Principal repayment of 1974 Series A Debenture	**275**	250
Purchase of fixed assets	**1,069**	598
Total funds applied	**7,585**	9,894
Increase (decrease) in working capital	**2,732**	(1,844)
Working capital deficiency, beginning of year	**(10,556)**	(8,712)
Working capital deficiency, end of year	**$(7,824)**	$(10,556)
Represented by:		
Current assets	**$23,961**	$ 21,612
Less current liabilities	**31,785**	32,168
	$(7,824)	$(10,556)

(See accompanying notes to consolidated financial statements)

GLOBAL COMMUNICATIONS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 1981

1. Summary of accounting policies

The financial statements of Global Communications Limited ("Global") and its subsidiary corporations have been prepared by management in accordance with generally accepted accounting principles consistently applied. A precise determination of many assets and liabilities is dependent upon future events, and therefore, the preparation of periodic financial statements necessarily involves the use of estimates and approximations which have been made using careful judgment. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

(a) Principles of consolidation

The consolidated financial statements include the accounts of the corporation and of its subsidiaries but exclude the accounts of the corporation's soccer subsidiary (note 2).

(b) Film and program rights

The corporation enters into various contracts to acquire film and program rights. Liabilities under the contracts, which are generally payable in instalments (note 6), are reflected in the consolidated balance sheet when the contracts are signed, with the related costs recorded as assets. Such costs (allocated between current and non-current assets based on estimated planned usage in the succeeding fiscal year) are charged to operations over the anticipated period of broadcast use, and are written off when deemed to be of no value. Costs of films included in film and program rights are written off on a weighted cost per play basis.

(c) Depreciation and amortization

Depreciation and amortization are provided at rates designed to write off the cost of fixed assets on a straight-line basis over their estimated useful lives as follows:

Buildings	5%
Production, transmission and technical equipment	7½% - 20%
Leasehold and land improvements	4% - 11½%

(d) Income taxes

The corporation follows the tax allocation method of providing for income taxes.

2. Contingent asset

In August 1981, the corporation entered into an agreement to sell its soccer operations for cash of $3,493,000 and a convertible debenture with a face value of $10,000,000. The debenture is without interest and is convertible, for 30 days after September 1, 1991, into 49.99% of the fully voting and equity shares of Prosoccer (1981) Limited, the company which is continuing to operate the soccer club. Under the terms of the debenture, the corporation is entitled until October 1, 1991 to receive annual advances on principal in amounts equal to 75% of net income in a year (as defined), if any, of Prosoccer (1981) Limited.

The sale was completed on October 16, 1981, at which time an agreement was entered into which provides for certain rights of first refusal and buy-sell arrangements under specified conditions, in relation to the respective interests of the corporation and the buyer. If the right to reacquire or convert is exercised, any advances paid on the debenture are to be refunded. The agreement also requires the buyer to provide financing for the soccer operations, as approved by the buyer, by way of loans up to $6,000,000, with additional funding, if required, to be the obligation equally of the buyer and the corporation.

The realizable value of the convertible debenture is dependent upon the future

operations and financial results of Prosoccer (1981) Limited. The corporation retains a major interest in the soccer club through its convertible debenture but management has decided not to assign any value to the debenture for accounting purposes in recognizing the financial effects of this transaction until additional proceeds are realized.

The consolidated statement of income and deficit has been segregated to separately disclose the results of discontinued soccer operations. Soccer revenue for the period was $913,000 (1980 - $1,182,000).

The consolidated statement of changes in financial position has been segregated to separately disclose the funds applied to discontinued soccer operations. The funds applied are as follows:

	August 31,	
	1981	1980
Loss on discontinued soccer operations (after proceeds on disposition of $3,493,000 in 1981)	$1,723,000	$2,710,000
Income tax recoverable	1,717,000	
Other	(289,000)	437,000
	3,151,000	3,147,000
Less write off of goodwill	1,978,000	50,000
	1,173,000	$3,097,000

3. Income taxes

The 1981 loss from discontinued soccer operations has been reduced by $1,717,000 for income taxes recoverable thereon. This amount is included in future income taxes recoverable. The benefit of tax losses from prior years' soccer operations however (approximately $4,000,000) has not been reflected in these accounts. These losses are available to be applied against income from future years and will be reflected as extraordinary items when realized.

4. Bank indebtedness

Subsequent to the year end a revised banking arrangement was made. Among other things, the existing term debt of $12,500,000 will continue and the maximum operating credit will be increased to $10,000,000 ($5,775,000 outstanding at August 31, 1981). Up to August 31, 1981 the rate of interest applicable to the term loan was prime plus 1½% and subsequently prime plus 1%. Commencing November 1982, the term debt is repayable in varying quarterly principal instalments over the period ending August 31, 1987 (note 6).

The bank loans are collateralized by a demand debenture with a first fixed and floating charge on substantially all of Global's assets.

The agreements with the bank contain various conditions and restrictive covenants as to which any defaults by Global as at August 31, 1981 were waived by the bank. These covenants include a restriction on the payment of any dividends without the prior approval of the bank.

5. Debentures

	August 31,	
	1981	1980
Bank Income Debentures		$ 3,850,000
1974 Series A Debenture, due January 15, 1983	$ 7,150,000	7,425,000
1974 Series B Debentures, due January 15, 1998	100,000	100,000
10% Subordinated Debentures, due January 15, 1983	8,335,000	8,335,000
	$15,585,000	$19,710,000

(a) 1974 Series A Debenture due January 15, 1983

The 1974 Series A Debenture is an income debenture which bears interest in respect of each fiscal year or portion thereof at an annual rate equal to one-half of the bank's prime lending rate plus 2%. Interest is payable only to the extent of "available profit" as defined in the Trust Deed. This debenture is collateralized by a floating charge on all of Global's assets, subject only to prior claims and security held by Global's banker and ranks pari passu with $5.80 of each $45.00 (or an aggregate of $1,074,000 at August 31, 1981) of principal amount of the 10% Subordinated Debentures outstanding from time to time.

A major shareholder, Global Ventures Western Ltd., holds this Debenture.

(b) 1974 Series B Debentures due January 15, 1998

The 1974 Series B Debentures are income debentures which bear interest payable at rates applied to unconsolidated pre-tax earnings of Global for the immediately preceding fiscal year. The rates reduce annually by 1% from 24% in 1981 to 20% for 1985 and subsequent years.

No interest was payable in 1980 since, for purposes of the calculation of payments due under the 1974 Series B Debentures, the accumulated loss on disposal of the record operations more than offset income from the television operations. In determining the provision for interest on these income debentures, which amounted to $1,123,000 in 1981, the accumulated losses of the soccer operations were not applied to reduce income from television operations since the corporation retains a major interest in the soccer club through the convertible debenture (note 2) and for this purpose has accounted for its soccer investment on a cost recovery basis. This provision of $1,123,000 is due on January 15 of the following year, and bears interest at 10% per annum from the end of the fiscal year until the payment date.

The 1974 Series B Debentures are collateralized by a floating charge on all of Global's assets, subordinate to the 1974 Series A Debenture and the bank indebtedness.

A major shareholder, Global Ventures Western Ltd., holds 95.5% of these Debentures.

(c) 10% Subordinated Debentures due January 15, 1983

The 10% Subordinated Debentures bear interest at 10% per annum, payable semi-annually.

The 10% Debentures carry a floating charge on the assets of Global in Ontario and are subordinate to the interests of the bank and to the 1974 Series A and Series B Debentures, except for $5.80 of each $45.00 (or a total of $1,074,000 at August 31, 1981) of principal amount ranking pari passu with the 1974 Series A and Series B Debentures.

6. Instalments of bank term loan, and film and program contracts

Payments required in each of the next five years to repay the following long-term liabilities outstanding at August 31, 1981 are as follows:

	1982	1983	1984	1985	1986
Bank term loan		$1,000,000	$3,000,000	$3,000,000	$4,000,000
Instalments payable on film and program contracts	$16,291,000	3,724,000	1,038,000	687,000	57,000
	$16,291,000	$4,724,000	$4,038,000	$3,687,000	$4,057,000

The film and program contract liabilities are incurred in the normal course of business and these will normally be met through air time revenues generated.

7. Capital Stock

	Authorized shares	August 31, 1981 Shares issued	August 31, 1981 Amount	August 31, 1980 Shares issued	August 31, 1980 Amount
Voting preferred shares without nominal or par value	200,230	185,230	$ 9,000	185,230	$ 9,000
Common shares without nominal or par value	2,000,000	665,236	3,243,000	665,211	3,243,000
			$3,252,000		$3,252,000

(a) Restrictions on share transfers

The Board of Directors may make such rules and regulations from time to time as it deems necessary or appropriate to enforce the special statutory provisions applicable to constrained share corporations as set forth or referred to in Global's articles. Under the Broadcasting Act (Canada), in effect 80% of the voting shares of Global and other corporations holding a broadcasting licence must be owned by Canadians.

(b) Voting preferred shares

The voting preferred shares were issued in units with the 10% Subordinated Debentures and are to be purchased, at 5¢ each, for cancellation upon the redemption or discharge of the related debentures by the corporation or on purchase by its subsidiaries.

(c) Common shares, share option and warrants

The corporation has reserved 238,764 authorized but unissued common shares for issuance, as follows:

(i) To the holders of remaining warrants to purchase shares at $7 each, exercisable to January 1, 1983 — 224,764 shares

(ii) On the exercise of an option to purchase shares at $7 each at any time to January 15, 1983 — 14,000 shares

The common shares of the corporation now outstanding and to be issued on exercise of the above option and warrants, are subject to deposit under the terms of a Voting Trust and Option Agreement which expires on January 15, 1983.

During the year 25 common shares were issued for cash at $7 each, upon the exercise of 25 outstanding share purchase warrants of the corporation.

(d) Earnings per share

	Year ended August 31, 1981	Year ended August 31, 1980
Basic:		
Loss before extraordinary item	$(1.53)	$(8.37)
Extraordinary item	2.58	4.46
Net income (loss) for the year	$ 1.05	$(3.91)
Fully diluted:		
Loss before extraordinary item	$(1.08)	
Extraordinary item	1.89	
Net income for the year	$ .81	

Fully diluted earnings per share shows the effect on earnings per share which result if the outstanding warrants to purchase 224,764 common shares at $7 each and the outstanding option to purchase 14,000 common shares at $7 each were all exercised at the beginning of the year. In the fully diluted earnings per share calculation, the assumption is made that the funds derived from exercising the warrants and the option had been invested to produce an annual return of 10%, before applicable income taxes and interest on income debentures. No fully diluted per share calculation is provided in 1980 as the corporation incurred a loss for the year and any exercise of the warrants or option would be anti-dilutive.

8. Related party transactions

In addition to the related party transactions referred to in the previous notes, the corporation paid sales commissions during the year of $1,097,000 (1980 - $318,000) to affiliates and leased its principal premises from Global Ventures Western Ltd. for an annual rental of $653,000 (1980 - $653,000).

9. Commitments

The corporation is obligated under long term operating leases in the normal course of business to pay annual amounts as follows:

Year ending August 31	Annual lease payments
1982	$1,843,000
1983	1,517,000
1984	1,011,000
1985	759,000
1986	700,000

The principal premises lease referred to in note 8 provides that the corporation may buy or be required to buy its principal premises at the higher of market price or $5,800,000 being the purchase cost in 1979 to Global Ventures Western Ltd.

10. Property, plant and equipment

		August 31, 1981		August 31, 1980
	Cost	Accumulated depreciation and amortization	Net book value	Net book value
Land	$ 143,000		$ 143,000	$ 148,000
Buildings	596,000	$ 227,000	369,000	459,000
Production, transmission and technical equipment	12,152,000	7,711,000	4,441,000	5,295,000
Leasehold and land improvements	1,919,000	426,000	1,493,000	1,392,000
	$14,810,000	$ 8,364,000	$ 6,446,000	$ 7,294,000

11. Segmented information

As the corporation has discontinued operations of its professional soccer club, it now operates only in Canada and in only one industry, namely the Communications Industry.

The 1980 consolidated financial statements have been reclassified to conform to the 1981 presentation on discontinued operations.

GLOBAL COMMUNICATIONS LIMITED
CONSOLIDATED EIGHT YEAR FINANCIAL SUMMARY

	Year ended August 31,							
Operating Results (000's)	**1981**	1980 (Restated)	1979 (Restated)	1978	1977	1976	1975	1974
Revenues	**$48,264**	$41,618	$33,563	$29,976	$22,084	$15,444	$ 8,554	$ 2,917
Operating expenses	**37,615**	33,301	26,101	22,183	16,632	13,751	11,224	17,858
Depreciation	**1,426**	1,340	1,321	1,116	995	960	911	519
	39,041	34,641	27,422	23,299	17,627	14,711	12,135	18,377
Operating income (loss) from continuing operations	**9,223**	6,977	6,141	6,677	4,457	733	(3,581)	(15,460)
Interest-net	**3,483**	1,630	1,055	1,573	1,432	1,572	1,217	346
Income (loss) before taxes and income debenture interest	**5,740**	5,347	5,086	5,104	3,025	(839)	(4,798)	(15,806)
Income taxes	**2,889**	2,967	2,457	2,446	1,468	—	—	—
Income (loss) before income debenture interest and extraordinary items	**2,851**	2,380	2,629	2,658	1,557	(839)	(4,798)	(15,806)
Income debenture interest	**2,144**	1,278	2,112	1,731	1,144	—	—	—
Income (loss) from continuing operations before extraordinary items	**707**	1,102	517	927	413	(839)	(4,798)	(15,806)
Loss from discontinued operations net of future income tax recoverable								
— Soccer	**(1,723)**	(2,710)	(1,355)	—	—	—	—	—
— Record		(3,959)	(2,071)	—	—	—	—	—
Income (loss) before extraordinary items	**(1,016)**	(5,567)	(2,909)	927	413	(839)	(4,798)	(15,806)
Extraordinary items	**1,713**	2,967	2,457	2,446	1,858	—	—	2,211
Net income (loss)	**$ 697**	$(2,600)	$ (452)	$ 3,373	$ 2,271	$ (839)	$ (4,798)	$(13,595)
Earnings (loss) Per Share								
Basic —								
Before extraordinary items	**$(1.53)**	$(8.37)	$(4.37)	$1.39	$0.62	$(1.26)	$(7.21)	$(23.76)
Extraordinary items	**2.58**	4.46	3.69	3.68	2.79	—	—	3.32
For the year	**$1.05**	$(3.91)	$(0.68)	$5.07	$3.41	$(1.26)	$(7.21)	$(20.44)
Fully diluted —								
Before extraordinary items	**$(1.08)**			$1.06	$0.50			
Extraordinary items	**1.89**			2.70	2.15			
For the year	**$ 0.81**			$3.76	$2.65			

GLOBAL COMMUNICATIONS LIMITED

Consolidated Statement of Changes in Financial Position

Six Months ended February 28, 1981

(Unaudited)	1981	1980
	(000's)	
SOURCE OF FUNDS:		
Term bank loan	$ 4,147	$ 1,098
Less requirement to fund liabilities of discontinued operations	(4,069)	—
	78	1,098
Funds applied (net) in financing non-current portion of film, program and player rights—		
Decrease in non-current portion of film, program and player rights	5,071	3,515
Less decrease in long-term portion of related liabilities	(2,565)	(2,442)
	2,506	1,073
Extraordinary item—income tax recovery	1,713	1,473
Total funds provided	4,297	3,644
APPLICATION OF FUNDS:		
Funds applied to continuing operations	340	378
Funds applied to discontinued operations	—	2,003
Provision for repayment of Bank Income Debenture instalments	875	350
Principal repayment of 1974 Series A Debentures	275	250
Purchase of fixed assets	354	180
Total funds applied	1,844	3,161
Increase in working capital	2,453	483
Working capital deficiency, beginning of period	(10,555)	(8,712)
Working capital deficiency, end of period	$(8,102)	$(8,229)
Represented by:		
Current assets	$20,954	$27,294
Less current liabilities	29,056	35,523
	$(8,102)	$(8,229)

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GLOBAL COMMUNICATIONS LIMITED

INTERIM REPORT

Six months ended February 28, 1981

To the Shareholders:

We include our report for the six months ended February 28, 1981.

Global Television Network

Income before tax and interest on income debentures for the Global Television Network for the six months ended February 28, 1981 of $3,908,000 is approximately 34% ahead of last year's level of $2,921,000. Time sales revenue increased approximately 17% over that achieved in the comparable period last year. Interest costs related to the debt incurred in connection with the discontinuance of the record division are included in these results and amounted to $622,000 in the period. Booking levels for the balance of the year remain consistent with our expectations although there is some softness in the market.

Soccer Division

A loss of $1,792,000 including investment carrying costs was incurred in the six month period this year compared to a loss of $1,045,000 in the same period last year. The Company is having preliminary discussions with respect to reducing its investment in the Soccer Division.

On a consolidated basis, your Company incurred a loss before extraordinary items of $1,066,000, compared to a loss of $2,827,000 for the same period last year. Last year's results for the comparative period included a $2,002,000 net loss from the discontinued operations of record subsidiaries. Final net income for the period was $647,000 as a result of the inclusion of $1,713,000 arising from income taxes recovered from the application of prior period losses. The final result for the same period last year was a net loss of $1,354,000 after inclusion of $1,473,000 of income taxes recovered from loss carry forwards.

Toronto, Ontario
April 7, 1981

I. H. ASPER
Chairman of the Board

PAUL MORTON
President

GLOBAL COMMUNICATIONS LIMITED

Consolidated Statement of Income

Six Months ended February 28, 1981
(with comparative figures for 1980)

(Unaudited)	1981 (000's)	1980 (Note)
Revenue	$24,195	$19,993
Operating, general and administrative	19,813	16,770
Operating income before the undernoted items	4,382	3,223
Interest expense—net	1,525	678
Depreciation and amortization	741	665
	2,266	1,343
Income before the following	2,116	1,880
Provision for income taxes	1,845	1,473
Income before interest on income debentures and extraordinary item	271	407
Interest on income debentures:		
Bank Income Debentures	243	283
1974 Series A Debentures	351	343
1974 Series B Debentures	743	606
	1,337	1,232
	(1,066)	(825)
Loss from discontinued operations of record subsidiaries	—	2,002
Loss before extraordinary item	(1,066)	(2,827)
Extraordinary item:		
Income tax recovery arising from utilization of prior period losses	1,713	1,473
Net income (loss) for the period	$ 647	$ (1,354)
Earnings per share:		
Basic—		
Loss before extraordinary item	$ (1.60)	$ (4.25)
Extraordinary item	2.57	2.21
Net income (loss) for the period	$ .97	$ (2.04)
Fully diluted*—		
Loss before extraordinary item	$ (1.15)	
Extraordinary item	1.89	
Net income for the period	$ .74	

*Fully diluted earnings per share shows the effect on earnings per share which would result if the outstanding warrants to purchase 224,789 common shares at $7.00 each and the outstanding option to purchase 14,000 common shares at $7.00 each were all exercised at the beginning of the period. In the fully diluted earnings per share calculation, the assumption is made that the funds derived from exercising the warrants and option had been invested to produce an annual return of 10% before applicable income taxes and interest on income debentures. No fully diluted earnings per share calculation is provided in 1980 as the Company incurred a loss for the period and any exercise of warrants or option would be anti-dilutive.

Note: The 1980 results have been segregated to separately disclose the results of the discontinued operations of the record segment.